

Our approach to Board leadership, transparency and governance

Our approach to Board leadership, transparency and governance

Our Board is fully committed to Ofwat's principles for Board leadership, transparency and governance, with its emphasis on the importance of strong Board leadership and the special responsibilities attached to regulated monopoly companies providing an essential public service. As such, this chapter has been formulated to fully articulate how we apply the principles and provide direction to additional published information where relevant.

During the year, as the COVID-19 pandemic unfolded, the Board increased its interactions to maintain continual dialogue around the potential impact on our customers, communities and colleagues, and ensure effective Board oversight of the Company's response to the pandemic.

The Board rapidly adopted the approach implemented for non-key workers across the business, with Board meetings being held virtually whilst restrictions were in place. The Board also met physically as soon as movement restrictions allowed and undertook a number of site visits – in order to personally thank key-worker front-line employees for their continued dedication. Significant effort was applied to ensure that all matters on the Board's forward plan were considered during the year and external stakeholders continued to attend virtual Board events throughout the pandemic. The Board values the insight gained from stakeholder engagement and places significant importance on maintaining close relationships with them, taking account of, and responding, to their views.



Throughout this section we reference a number of different documents where you can find more detailed information on our Group-wide policies, which are available on the Severn Trent Plc website.

Documents available at severntrent.com

- Our Group Company Structure
- Detailed information about the Severn Trent Plc Board and Severn Trent Water Limited Board, along with their respective Articles of Association and Matters Reserved to the Board
- Our Code of Conduct, Doing the Right Thing
- Charter of Expectations
- Group Conflicts of Interest Policy
- Group Remuneration Policy
- Our Assurance Plan
- **Severn Trent Water Code of Practice**

1. Purpose, Values and culture

Our Purpose and Values

The Board recognises the importance of the Company's Purpose, Values and culture in delivering long-term success and building and maintaining trust in its activities. As such, the Board reserves responsibility for establishing Severn Trent Water's Purpose, Values and strategy and continuously seeks to satisfy itself that our culture is aligned to these.

Our Purpose and Values set the cultural tone of our organisation, guide our behaviours and express the intent behind what we do. We believe that if we are united by a clear social purpose we will deliver better outcomes for all our stakeholders – our customers, our colleagues, the society we live in and the environment we depend on. So at Severn Trent, we are first and foremost driven by our Purpose '**Taking care of one of life's essentials**' and we are guided by our Values:

- Having courage;
- Embracing curiosity;
- Showing care; and
- Taking pride.

Our refreshed Purpose and Values were launched during 2019/20, following extensive consultation with our people – from the front line of our operations to our Board – to rearticulate our Purpose and Values in a way that would be meaningful and inspiring for everyone, across the whole of the Severn Trent Group.

Our Purpose and Values are not solely for Severn Trent Water, but apply to Hafren Dyfrdwy, our other regulated water business, and our non-regulated businesses.

Once our new Purpose and Values had been launched, the focus shifted to taking the Values beyond just statements, to ensure that they were embedded and brought to life through our everyday ways of working, in order to continue to create the right environment for our teams to be successful. The rollout of our updated Behaviours Model and Leadership Expectations was a critical part of this, as was refreshing our Code of Conduct, Doing the Right Thing, and making sure that the Company's workforce policies and practices remained consistent with our Values.

Questions around Purpose, Values and strategy were posed to the workforce in our most recent employee engagement survey, QUEST. It is clear from the results that our Purpose and Values strongly resonate with our employees as demonstrated by the overall employee engagement score of 8.3/10 – placing us in the top 5% of utilities globally. Employees agree that our Values provide a good fit with the things they consider important in life and they feel inspired by the Purpose of our Group. The positive impact our new Purpose and Values has had on the workforce will serve to hold us – collectively and individually – to account in making sure our actions always align with our Purpose and Values.

Our Purpose reflects why we do what we do

Our strategy provides us with what we do

Our Values determine how we deliver our Purpose and strategy – they are the principles that guide our behaviour and they are what makes us Severn Trent

Taking care of one of life's essentials

The Board considers aspects of the Company's strategy at every meeting, taking into consideration our Purpose and the potential impact on a wide range of stakeholders.



Culture

To support the creation of long-term value for the mutual benefit of our shareholders, employees, customers and communities, the Board recognises the importance of building and promoting a culture of integrity and openness, where inclusion and diversity are valued.

Doing the Right Thing, our Code of Conduct, helps us put our Values into practice. Our Values and Code of Conduct embody the principles by which the Group operates and provide a consistent framework for responsible business practices.

Our Code of Conduct sets out clear guidance on the standards of behaviour that we expect from everyone who works for us including our supply chain, contractors and sub-contractors. Our Values apply to how we report information just as much as any other service we provide for our customers. The Board and Executive Committee also recognise the importance of their roles in setting the tone for the Company's culture and that is why they complete a Doing the Right Thing e-learning course every year together with all employees.

The Board also has oversight of a number of accompanying policies. These policies, together with Doing the Right Thing, explain how to identify and deal with suspected wrongdoing, fraud or how to ensure that the highest standards of safety are maintained; and how to apply good ethics and sound judgment.

During the year, the Board has focused on deepening its understanding of the Group's culture even further, through a dedicated Employee Voice session in November 2020. The session was centred on the results of our employee survey, QUEST. The Board considered the positive and more challenging aspects revealed by the survey and discussed the Company's approach to addressing areas of employee focus.

Members of the Board also regularly attend the Severn Trent Company Forum, to listen directly to what employees have to say and for our employees to observe at first hand matters that the Board is reviewing and considering.

Whilst national lockdown restrictions permitted, a number of socially distanced COVID-secure site visits were undertaken by Board members. Such visits enable the Board to understand the true culture of the Group and assists with measuring progress against the Group's People Strategy, which focuses on employee health and wellbeing, diversity and inclusion, and talent development. These direct interactions with employees allow our Board to understand first hand the key issues identified by our workforce, and provide an opportunity to feedback specific personal insights.

We do not see corporate governance as something we do because we have to. We choose to see it as something that should be ingrained in the way we behave, how we make decisions, how we run our business and ultimately, how we build trust. We believe that our strong culture is a unique strength and we see the benefits in employee engagement, retention and productivity.

Our Board continually monitors, assesses and reinforces our Values and culture to satisfy itself that the behaviours throughout the business are aligned with the Company's Purpose. Where misalignment is identified by our Board, appropriate corrective action is taken. Additional detail can be found on page 81 in our **Annual Report and Accounts ('ARA')**.

Setting aspirations and performing for all those we serve

As a provider of an essential public service, the importance of delivering for all our customers is constantly being considered by the Board. Details on how we have set our aspirations in regards to this, and how we have performed against our aspirations, can be found in the dedicated chapter of this report from page 8.

Whistleblowing

Our Whistleblowing Policy 'Speak Up' sets out the ethical standards expected of everyone that works for, and with us, and includes the procedure for raising concerns in strict confidence. Our workforce can raise concerns through their line manager, senior management and through our confidential and independent whistleblowing helpline, 'Safecall'.

All investigations are carried out independently with findings being reported directly to both the Audit and Corporate Sustainability Committees. The Board as a whole monitors and reviews the effectiveness of the

Group's whistleblowing arrangements annually, to ensure that it has sufficient oversight of whistleblowing to support its work on culture, risk and stakeholder engagement and all significant whistleblowing matters are reported directly to the Board.

The Board has reviewed these arrangements again this year, noting the proposed improvements to the process, and is satisfied that they are effective, facilitate the proportionate and independent investigation of reported matters and allow appropriate follow-up action to be taken.



2. Standalone regulated company

The differing interests of stakeholders are considered in the business decisions we make across the Company, at all levels, and are reinforced by our Board setting the right tone from the top. Our Board's role is to ensure the long-term success of Severn Trent Water. Responsibility to all our stakeholders for the approval and delivery of the Company's strategy and for creating and overseeing the framework to support its delivery sits with our Board.

Maintaining the highest standards of governance is integral to the effective delivery of our strategy and requires that our Board takes decisions that create sustainable long-term value for the mutual benefit of our shareholders, customers, employees and the communities we serve. The operation of our Board is supported by the collective experience of the Directors and the diverse skills and experience they possess. Details of the experience of our Board can be found on page 93 in the [ARA](#). Our Board's collective experience enables it to reach decisions in a focused and balanced way, supported by independent thought and constructive debate between our Directors. Trust and mutual respect are the cornerstones of relationships between our Directors, with a Board dynamic that supports open and honest conversations to ensure decisions are taken for the benefit of the Company in full consideration of the impact on all stakeholders.

Seven members, including the Chair, of our Board and Board Committees are independent Non-Executive Directors and there is a clear division of responsibilities between the roles of Chair and CEO. To allow these responsibilities to be discharged effectively, our Chair and CEO maintain regular dialogue outside the Boardroom, to ensure an effective flow of information. The requirements of our Board are clearly documented in the Severn Trent Water Articles of Association, Schedule of Matters Reserved to the Board and Charter of Expectations.

Management of Conflicts of Interest

Severn Trent Plc has a Conflicts of Interest Policy in place for all Group companies, including Severn Trent Water. Our Board and its Committees consider potential conflicts at the outset of every meeting and the Board formally reviews the authorisation of any potential conflicts of interest every six months with any conflicts being recorded in the Conflicts of Interest Register.

The Conflicts of Interest Register sets out any actual or potential conflict of interest situations which a Director has disclosed to the Board in line with their statutory duties and the practical steps that are to be taken to avoid conflict situations. When reviewing conflict authorisations, the Board considers any other appointments held by the Director as well as the findings of the Board Effectiveness evaluation. The Policy continues to be applied practically throughout the year, such as considering the potential conflict presented by Directors having roles on other Group companies.

To facilitate effective governance, the Boards of Severn Trent Plc and Severn Trent Water Limited are run concurrently as Severn Trent Water Limited comprises a substantial majority of the Group's business activities. As such, it is less likely that Directors will face decisions that will conflict with the obligations of the particular company on whose Board they sit. Nevertheless, this matter is subject to review at every meeting of each Board and in the event the position changes, robust mitigation will be implemented.

3. Board leadership and transparency

Board membership

As at 31 March 2021, the following individuals were Directors of Severn Trent Water Limited. At the date of publication of this report all Directors are still serving on the Board apart from where indicated.

Christine Hodgson	Chair
Kevin Beeston	Senior Independent Director
James Bowling	Chief Financial Officer
John Coghlan	Independent Non-Executive Director
Liv Garfield	Chief Executive
Sharmila Nebhrajani	Independent Non-Executive Director (Appointed 1 May 2020)
Dominique Reiniche	Independent Non-Executive Director (Retired 8 July 2021)
Philip Remnant	Independent Non-Executive Director
Angela Strank	Independent Non-Executive Director

As set out above, independent Non-Executive Directors are the largest group on the Board, with seven out of nine Directors (78%) being independent Non-Executive Directors as at 31 March 2021. Further details on each of the Directors, including Committee membership and meeting attendance, are available within the ARA.

Group structure

Severn Trent Water is the principal operating subsidiary of the FTSE100 company Severn Trent Plc, which means we operate at the high standards expected of a publicly listed company.

The ownership structure of Severn Trent Water Limited can be found on the [Severn Trent Plc](#) website.

Dividend policy

Our current dividend policy is set out in the Regulatory Statements chapter from page 40, alongside information about the dividends the Company has paid and how these take account of delivery for customers and the obligations we have to other stakeholders.

Severn Trent Plc publishes its own ARA and a history of dividend payments by Severn Trent Plc going back to 1990 is available on the [Severn Trent Plc](#) website. Severn Trent Plc's [dividend policy](#) is disclosed in its ARA to ensure clarity about how our investors are rewarded based on our performance through the Group's activities. We believe we are prudent in how we manage financial risk and even-handed in the way we share the returns from our outperformance with customers and shareholders; we pay our taxes in full and on time; and we pay dividends and Executive salaries that are reasonable and sustainable and linked to the delivery of outcomes to customers. Further information can be found in the [Severn Trent Plc ARA](#).

Executive pay policy

Our Remuneration Policy is aligned to our Purpose and strategy, thereby incentivising great customer service and the creation of long-term value for all our stakeholders.

Details of our Remuneration Policy are set out within the Regulatory Statements chapter from page 40. This section explains how the criteria for awarding short and long-term performance elements are substantially linked to stretching delivery for customers and are rigorously applied.

Our approach to risk

We think of risk as those things that could prevent us delivering our strategic objectives. Risk manifests itself in both negative and positive impacts. In identifying and categorising risk, we consider the causes including people, processes, assets, external factors and the control environment. The successful delivery of Severn Trent's strategic objectives depends on the effective identification, understanding and mitigation of risk.

2020/21 risk landscape

This year has seen some long-term risks manifest, as a consequence of the UK's Brexit negotiation process, and short-term shocks, such as the COVID-19 pandemic. The EU-UK Trade and Cooperation Agreement, signed on 30 December 2020, avoided a no-deal Brexit, but there remains some additional risk associated with the movement of goods between the EU and UK. The implications for our supply chain, particularly in relation to chemical supplies, have been carefully managed, with dedicated working groups continually reviewing market conditions and monitoring demand against market availability. We have also approved new framework agreements for our capital supply contracts to provide additional flexibility and prevent excessive supplier concentration.

Towards the end of 2019/20, the COVID-19 pandemic presented immediate, and longer-term, human, social, economic and business effects that have the potential to shape the operating context for Severn Trent for years to come. Our initial focus was on maintaining operational performance in a COVID-secure way, continuing to deliver our essential services without interruption whilst protecting our employees.

At an industry level, shockwaves from the tragic accident at Avonmouth in December 2020 were felt across the sector and had a profound impact across our business. In response to the event, we immediately suspended all Dangerous Substances and Explosive Atmosphere Regulations 2002 ('DSEAR') activity and undertook comprehensive surveys at all our bioresources sites as well as a comprehensive review of all our high-risk actions. February 2021 saw a cyber attack against a water treatment plant in Florida, US. The attacker attempted to alter the chemical dosing of the water, after gaining remote access to the treatment systems. The attack was promptly identified and no damage or injury resulted. The incident highlights the importance of cyber security within the water sector. Severn Trent commits significant resources and financial investment to maintain the integrity and security of assets and data **(see Principal Risk 4 on page 44 in our ARA for more information)**.

Risk appetite statement

Severn Trent's Purpose is 'Taking care of one of life's essentials'. No business is free of risk and to achieve our strategic objectives we often need to take calculated risks. We will, however, only accept risk that is consistent with our Purpose, Values and strategy. Risks we accept must be well understood, so that we can manage them effectively.

Our sector has inherent risks, particularly due to the nature and scale of our operational infrastructure and the importance of our activities to the health, safety and wellbeing of our people and the communities we serve. More widely, the sector is subject to political, regulatory and financial market risk, as well as risks arising from developments in technology, stakeholders' evolving expectations and climate change.

Within the Severn Trent Water Group, we operate both regulated and non-regulated businesses, which have different risk profiles and tolerances. Our water and waste water regulated businesses are monopoly providers that are economically regulated and characterised by relatively stable, inflation-linked cash flows.

In some areas, we have risks for which we have little or no appetite. Even though we have implemented high standards of control and mitigation, the nature of these risks mean that they cannot be eliminated completely.

Our risk priorities

In addition to managing the inherent risks associated with our business, we prioritise the following:

The **health, safety and wellbeing** of our people and the communities we serve is our top priority, and we have no appetite for risks brought on by unsafe actions.

Protecting the **environment** is a key long-term commitment. We aim to enhance the water environment and improve biodiversity. We are determined to play a leading role in addressing the impact of climate change through mitigating our own impact, the impact of our supply chain and adapting to the challenges that climate change may bring in the future.

In areas such as our approach to **financing**, we look to take measured risk consistent with providing the best long-term value for our customers and stakeholders.

The Board has overall responsibility for determining the nature and extent of the risks in which Severn Trent participates and for ensuring that risks are managed effectively.

Overseeing risk

Our approach to risk management is designed to enable the business to deliver its strategic objectives while managing the inherent uncertainty that can manifest itself as both opportunities and threats to these outcomes.

We have an established Enterprise Risk Management ('ERM') process and control framework that enables us to effectively identify, evaluate and manage these risks to inform decision making in support of creation of value in a sustainable way. Our approach cannot eliminate all risk entirely, but ensures we have the right structure to effectively navigate the challenges and opportunities we face, and only accept risk that is appropriate to achieving our strategic objectives.

We operate a top down and bottom up model of risk management that ensures both a clear articulation of risk appetite and a comprehensive process of risk identification.

Top down

The Board has overall responsibility for oversight of risk and for maintaining a robust risk management and internal control system. The Board recognises the importance of identifying and actively monitoring our strategic, reputational, financial and operational risks, and other longer-term threats, trends and challenges facing the business.

The Executive Committee reviews strategic objectives and assesses the level of risk taken in achieving these objectives.

The Severn Trent Plc Audit Committee supports the Board in the management of risk and is responsible for reviewing the effectiveness of the risk management and internal control processes during the year.

This top down risk process helps to ensure the bottom up risk process, described on the next page, is aligned to our current strategy and objectives.

Bottom up

Operating in the water sector means risk management is embedded throughout our processes, from day-to-day asset operation and monitoring, medium-term deployment of capital investment to long-term modelling of asset health, performance, and societal and environmental changes.

Our strong continuous improvement culture ensures that risk discussions happen at all levels of the business, resulting in risks being identified, categorised, and entered into the ERM system.

Risk reporting

The ERM process is operated by the Central ERM Team and underpinned by a standardised methodology to ensure consistency. ERM Champions and Co-ordinators operate throughout the business, with support and challenge from the Central ERM Team, continually identifying and assessing risks in their business units and reporting on a quarterly basis. Standardised criteria are used to consider the likelihood and velocity of occurrence and potential financial and reputational impacts.

The potential causes, impacts and mitigating controls related to each risk are well documented. This assessment allows us to put in place effective strategies to remediate defective controls or implement additional controls.

Business unit information is combined to form a consolidated view of risk across the Severn Trent Water Group. Our significant risks form our risk profile which is reported to the Executive Committee for review and challenge. This is then reported to the Severn Trent Plc and Severn Trent Water Limited Audit Committee and Boards on a six-monthly basis. The report provides an assessment of the effectiveness of controls over each risk and action plans to improve controls where necessary.

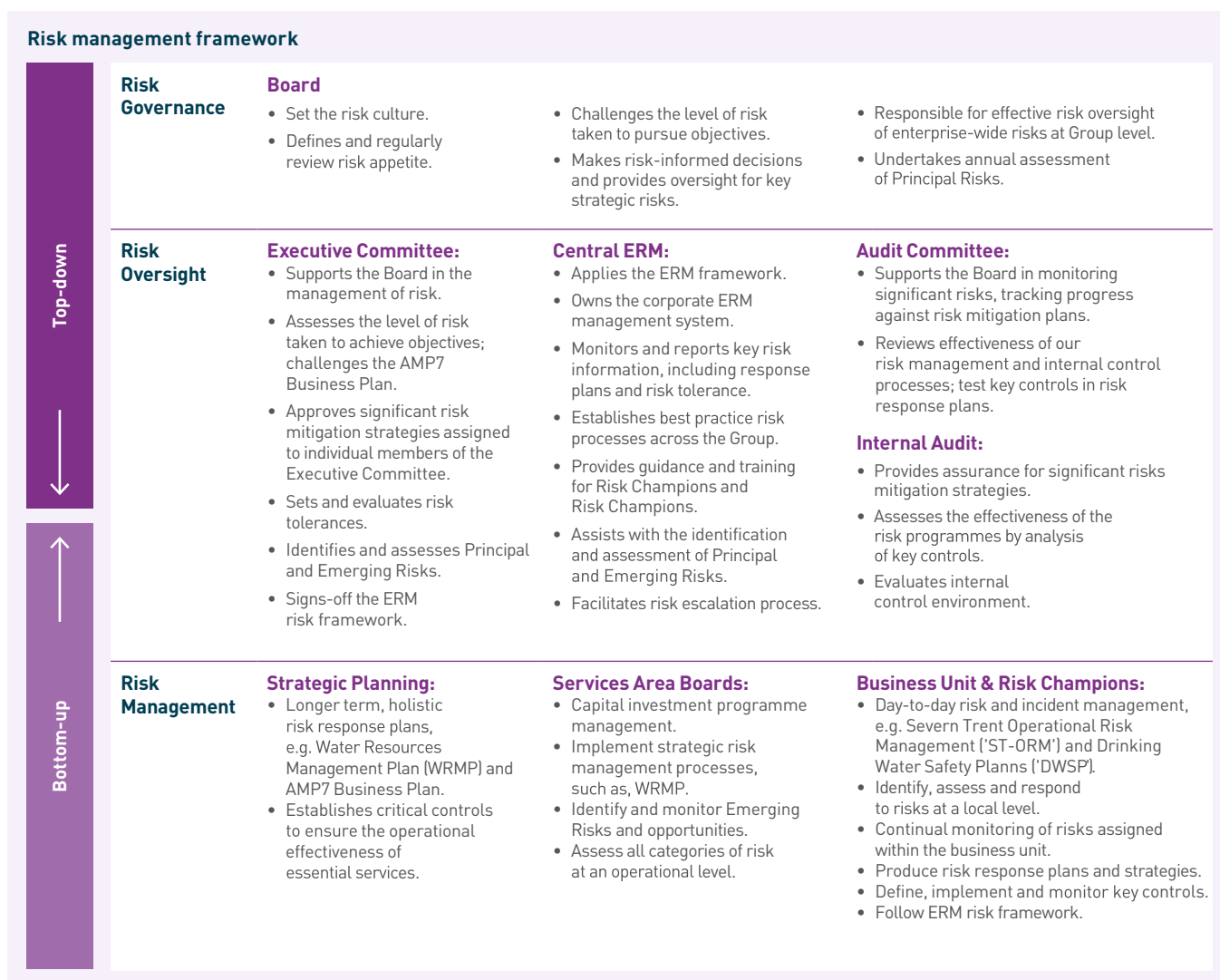
Our Principal Risks

The Directors have carried out a robust assessment of the Principal Risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity, to identify risks that could:

- Adversely impact the safety or security of the Company's employees, customers and assets;
- Have a material impact on the financial or operational performance of the Company;
- Impede achievement of the Company's strategic objectives and financial targets; and/or
- Adversely impact the Company's reputation or stakeholder expectations.

This list does not comprise all the risks that the Company may face, and they are not presented in order of importance. The nature and profile of these risks is updated each year to reflect the changing risk landscape. This year sees ten Principal Risks being reported.

There may be additional risks that emerge in the future and we undertake regular horizon scanning to identify and report these to the Board. Risks can present significant value creation and possibilities for innovation. The Principal Risks, what they mean for us and what we are doing to manage them are set out on pages 41-47 of our [ARA](#).



4. Board structure and effectiveness

Board structure

The membership of the Board of the listed Company, Severn Trent Plc, is the same as that of its regulated subsidiary, Severn Trent Water Limited. This structure was implemented in discussion with Ofwat in 2007 to ensure that the highest standards of corporate governance were applied at the regulated subsidiary level and to promulgate greater visibility and supervision of Severn Trent Water Limited by the Severn Trent Plc Board. As a subsidiary of a FTSE100 listed Company, Severn Trent water has chosen to apply the principals of the 2018 UK Corporate Governance Code (the '2018 code') to its governance arrangements where appropriate and reasonably practicable to ensure the highest standards of governance. The two companies operate as distinct legal entities. The Boards comply with the Severn Trent Plc Board Governance Framework and the respective Matters Reserved to the Board. They are assisted through the management of separate agendas, meetings and minutes by Company Secretariat and advised in their meetings by the Company Secretary, where appropriate.

Subsidiary company Boards are managed through designated governance processes. In particular, the relationships between Severn Trent Water Limited and our other businesses such as our Green Power business are monitored and controlled to ensure that regulatory requirements and obligations under competition law are complied with in respect of all transactions between them, or with third parties.

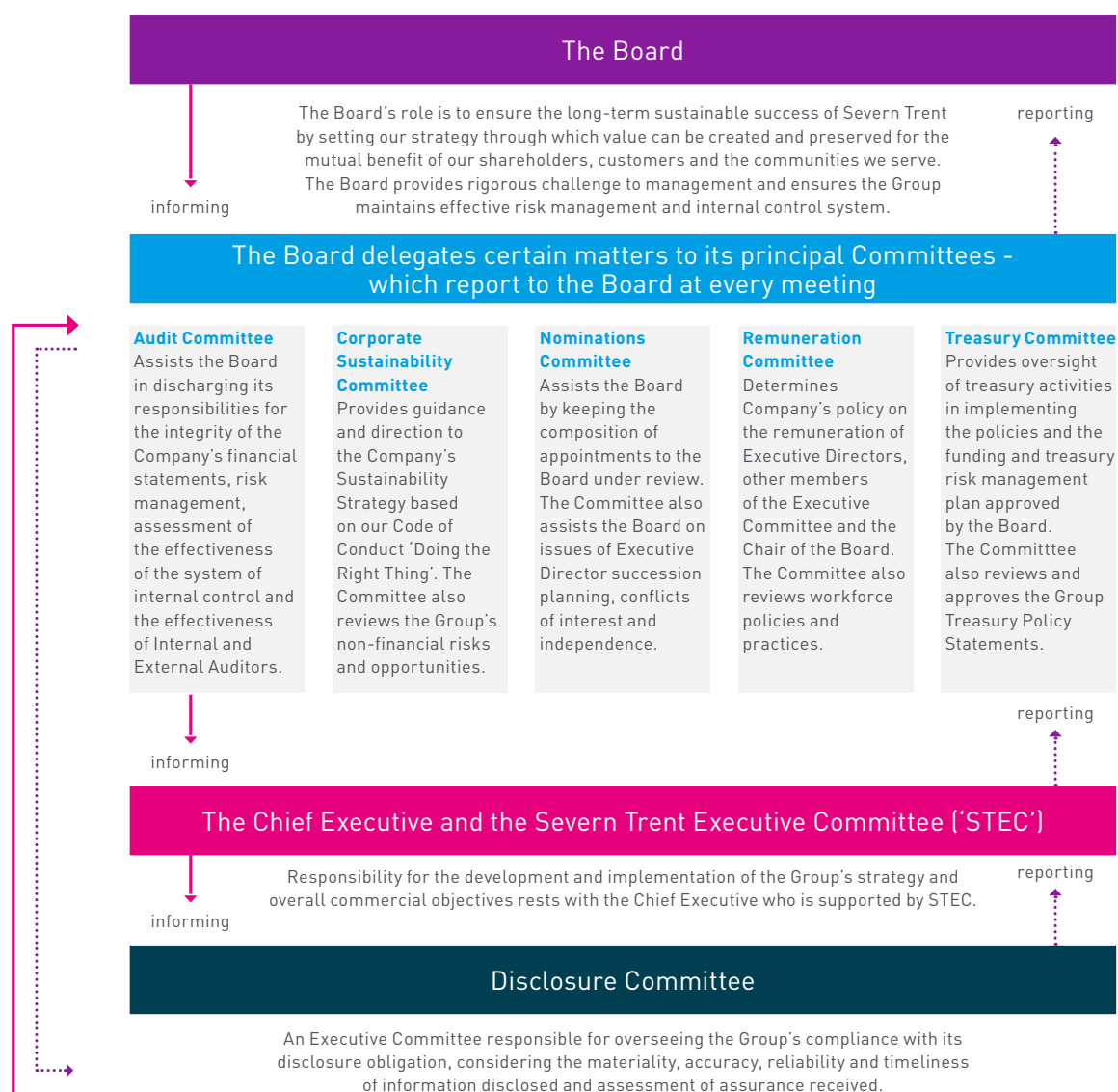
The needs of our different stakeholders as well as the consequences of any decision in the long term are well considered by the Board and our stakeholder engagement processes enable our Board to understand what matters to stakeholders and carefully consider all the relevant factors and select the course of action that best leads to the success of Severn Trent in the long term. Further detail can be found in our dedicated Section 172 Statement on pages 80-83 within the [ARA](#).

Our Governance Framework

The Board is supported by the Severn Trent Plc Governance Framework, which is set out below. The Governance Framework comprises the Board, Executive Committee and their respective Committees.

In line with the 2018 Code, the Board delegates certain roles and responsibilities to its various Committees. The Committees assist the Board by fulfilling their roles and responsibilities, focusing on their specific activities, reporting to the Board on decisions and actions taken, and making any necessary recommendations to the Board in line with their respective Terms of Reference. The Board regularly reviews the Terms of Reference of each Committee. The Governance Framework is also subject to periodic review to ensure that it remains appropriate.

The Severn Trent Plc Disclosure Committee oversees the Group's reporting obligations under the Companies Act 2006, the 2018 Code, the UKLA Listing Rules, Disclosure Guidance and Transparency Rules and the Company's annual and continuing regulatory reporting requirements, considering the materiality, accuracy, reliability and timeliness of information disclosed and assessment of assurance received.



Board appointments

As at 31 March 2021, the Board comprised the Chair (who was considered independent on appointment), six independent Non-Executive Directors and two Executive Directors.

There is clear division between Executive and Non-Executive responsibilities which ensures accountability and oversight. The roles of Chair and Chief Executive are separately held and their responsibilities are well defined, set out in writing and regularly reviewed by the Board. The Chair and the other Non-Executive Directors meet routinely without the Executive Directors, with private meetings being held at the conclusion of all Board and Committee meetings. Individual Directors meet often outside formal Board meetings in order to gain first hand experience of our operations and engage with our workforce.

As was the case during the year, any new appointments to our Board result from a formal, rigorous and transparent procedure, responsibility for which is overseen by the Severn Trent Plc Nominations Committee (although decisions on appointments are a matter reserved to our Board). All Severn Trent Plc Nominations Committee members are also Non-Executive Directors of Severn Trent Water Limited. Further details of the activities of the Nominations Committee during the year can be found within the Severn Trent Plc ARA.

The Board welcomed Sharmila Nebhrajani during the year and her extensive induction programme covered a range of areas across the business, including meeting with Ofwat. Ofwat contacted the Chair following this meeting and confirmed that they did not have any specific areas to highlight following this meeting.

The Board and the Nominations Committee also spent a significant amount of time considering Board succession during the course of the year to ensure that the Board has the right mix of skills and experience, as well as the capability to provide effective challenge and promote diversity. Additional detail can be found on page 97 in the [Severn Trent Plc ARA](#).

Board induction

We develop a detailed, tailored induction for each new Non-Executive Director. This includes one-to-one meetings with the Chair and each of the existing Non-Executive Directors. One-to-one meetings are also arranged with the CEO, CFO and the Company Secretary, along with other members of the Executive Committee. New Directors also meet members of the operational teams and visit our key sites and capital

projects to ensure they get a first hand understanding of the water and waste water businesses and have a chance to experience our unique culture. We provide briefings on the key duties of being a Director of a regulated water company and proposed Appointees meet with Ofwat as part of the appointment process.

We enhance the Board's induction programme in light of feedback from new Directors and the Board Effectiveness evaluation.

Board skills and experience

The Board benefits from a wide range of backgrounds and strengths. The diagram below provides an overview of the number of Board members with specific skills, experience and knowledge as a way of demonstrating the different aspects the Directors bring to the Board. Full biographies for each Director can be found on page 93 in the [ARA](#).



Board effectiveness

The effectiveness of the Board is reviewed at least annually and conducted according to the guidance set out in the 2018 Code, Ofwat's principles and Financial Reporting Council ('FRC') Guidance on Board Effectiveness.

Our annual Board evaluation provides the Board and its Committees with an opportunity to consider and reflect on the quality and effectiveness of its decision making, the range and level of discussion and for each member to consider their own contribution and performance. In accordance with the 2018 Code provision the Company should undertake an externally facilitated Board Effectiveness evaluation at least every three years, this year's review was facilitated by Ffion Hague of Independent Board Evaluation ('IBE'). The Board's five Committees were also observed as part of the review. Neither Ffion Hague nor IBE has any other connection with the Company or individual Directors.

IBE's independent review concluded that the Board performs very well, with positive feedback received from both within and outside the Board. The review highlighted that it was evident that the Board feels highly accountable to all stakeholders and that the Board placed a strong emphasis on ensuring that it considered views from and issues affecting shareholders, employees, customers, regulators and other key stakeholders in its discussions and decision making. There is a culture of trust between Board members, which encourages open and honest discussions and leads to constructive challenge of the Executive Committee and senior management. The review concluded that, whilst the Board was operating very effectively, there was scope for minor areas of further improvement and more information on the Board's action plan for 2021/22 can be found on pages 108-109 in the [ARA](#).

In line with the recommendations of the Board Effectiveness evaluation, we refreshed the membership of the Treasury and Corporate Sustainability Committees towards the end of the year, so that the membership of both Committees comprises of independent Non-Executive Directors only. This has brought the composition of these two Committees in line with the Audit, Nominations and Remuneration Committees which only have independent Non-Executive Directors serving as Committee members.

Board Diversity Policy

When undertaking any recruitment, the Board ensures that the recruitment processes are in line with our Board Diversity Policy (the 'Policy', available on the [Severn Trent Plc](#) website) to include candidates from diverse backgrounds and those with non-listed company experience. The Board believes diversity in its membership is vital for ensuring the Company is well equipped to make decisions that meet the needs of the Company's wide range of employees, customers and other stakeholders. As such, the Board remains focused on promoting broader diversity and creating an inclusive culture in line with the recommendations of the Parker and McGregor-Smith reviews.

A diverse organisation benefits from differences in skills, regional and industry experience, background, race, gender, sexual orientation, religion, belief and age, as well as culture and personality. The Board is focused on ensuring that the diversity of our employee base reflects the diversity of our region – including the gender, social and ethnic background, skills and experience amongst our customers and the communities that we serve.

In reviewing the Policy during 2021, recognition was given to the importance and benefits of greater diversity, including gender diversity, social and ethnic background and cognitive and personal strengths throughout the organisation, including on the Board itself. The objectives and targets of the Policy, and an update against each of them, are set out overleaf.

Policy objectives

Policy objectives	Implementation	Progress against objectives
Ensure the Board comprises an appropriate balance of skills, experience and knowledge required to effectively oversee and support the management of the Company.	Annual review of the Board's composition with particular consideration being given to the balance of skills, experience and independence of the Board. The Board Effectiveness evaluation specifically considers the composition of the Board and the contribution, commitment and independence of individual Directors.	At its May 2021 meeting, the composition of the Board and the performance, contribution and commitment of individual Directors in the context of the externally facilitated Board Effectiveness evaluation were reviewed. No concerns were raised. All Board succession discussions took place in considerations of the Policy and its aims to increase the ethnic diversity of the Board in line with the recommendations of the Parker and McGregor-Smith reviews.
<p>Ensure consideration is given to diverse candidates for Non-Executive Director Board appointments from a wide pool.</p> <p>Ensure Board appointment 'longlists' include candidates with a diversity of social and ethnic backgrounds and cognitive and personal strengths.</p>	The Board recognises the importance and benefits of greater diversity, including gender diversity, social and ethnic background and cognitive and personal strengths, throughout the organisation, including on the Board itself.	<p>Board appointments were made during the year as follows:</p> <ul style="list-style-type: none"> • 1 April 2020: Non-Executive Chair – Christine Hodgson; and • 1 May 2020: Non-Executive Director – Sharmila Nebhrajani. <p>The recommendations in respect of these Board appointments were conducted in full consideration of the Policy, the 2018 Code and additional relevant guidance. The Board ensured that Korn Ferry, the executive search firm engaged for these appointments and presented a diverse potential candidate list.</p>
Ensure the Board only engage executive search firms that have signed up to the Voluntary Code of Conduct for Executive Search Firms.	The Company only engages with executive search firms that have signed up to the Voluntary Code of Conduct for Executive Search Firms.	We continue only to engage with executive search firms that have signed up to the Voluntary Code of Conduct for Executive Search Firms.
Ensure focus is given to the development of a pipeline of diverse high calibre candidates for Board level roles and report annually on the diversity of the Executive pipeline as well as the diversity of the Board.	Regular Board consideration of the importance and benefits of greater diversity including gender diversity, social and ethnic background and cognitive and personal strengths. This includes representation of these cohorts in the Company's talent pipeline and on the Board itself.	At its April 2021 meeting, the Board considered diversity and inclusion within the Company. The Board committed to building on existing graduate, apprentice and leadership programmes to embed inclusivity in our succession planning and talent development work. This included discussion on strengthening our talent pipeline, with an enhanced focus on ensuring appropriate representation from ethnic minority candidates, as well as other relevant diverse cohorts. This was also an area of specific focus within the Board and Executive Committee succession planning discussions that took place during the year.

Policy Targets

Policy Targets for 2020/21	Progress against Target
33% female share of Board Directors by 2020.	56% female representation on our Board as at 1 April 2021.
Minimum of one Board Director from an ethnic minority background by 2021.	In line with the principles of the Parker Review, the Board actively seeks diverse candidates. The calibre of the candidates identified during the most recent recruitment exercise was outstanding and it was after careful deliberation that the Board approved the appointment of Sharmila Nebhrajani to the Board from 1 May 2020.

Setting aspirations and performing for all those we serve

We built our PR19 business plan to meet the needs of our customers and wider society. The business plan sets out our aspirations through our nine outcomes. These have a long-term perspective, looking 25 years ahead, and are underpinned by the performance commitments we have made to our customers detailed in our [Final Determination](#). This is our first year of AMP7 reporting, and our opportunity to share how we are progressing against the deliverables and discuss how our performance is interlinked with our Purpose, Values and culture.

Our Purpose, Values and culture are absolutely essential in delivering long-term success and building and maintaining trust as a public service provider. It was with this in mind, we launched our new Purpose and Values last year – setting out a clear statement of direction that is representative of who we are, why we do what we do, and how we do it.

Our Purpose **‘taking care of one of life’s essentials’** unites everyone at Severn Trent Water. A large number of our employees were involved in its development, including at Board level, making it a Purpose made by our people, for our people. It included feedback from a range of stakeholders, including customers who were engaged as part of our business plan preparations, to make sure that our Purpose aligns with company strategy, which considers short and long-term goals. These are focused on driving long-term sustainable performance for the benefit of all those we serve. Our framework of Values – having courage, embracing curiosity, showing care and taking pride – supports our long-standing Code of Conduct, Doing the Right Thing, and drives delivery of our strategy. You can find out more about our Purpose and Values on page 14.

We believe our Purpose is used as the basis against which decisions, performance and progress are anchored and measured. This year, as the COVID-19 pandemic unfolded, the Board maintained continual dialogue on the potential impact on our customers, communities, colleagues and shareholders and ensure effective Board oversight of the Company’s response to the pandemic, continuing to actively engage with stakeholders throughout the year in a number of ways:

Community engagement

- Employees who live and work in our communities met the Board at the Employee Forum and during site visits.
- Employees who live and work in our communities engaged with the Board through the virtual employee engagement event, ‘Ask Our Board’, held in May 2021.
- Corporate responsibility, community activities and volunteering programmes are discussed at Board meetings.
- Environmental matters are regularly considered by the Board.

Customer engagement

- Customer delivery performance is discussed at every Board meeting.
- Customer perceptions of value for money reported at every Severn Trent Plc Corporate Sustainability Committee.
- Extensive customer engagement shapes our strategy and business plan.

Employee engagement

- A dedicated employee engagement virtual event, ‘Ask Our Board’, was held in May 2021.
- The Chair, Non-Executive and Executive Directors attend Company Forum meetings and provide feedback at Board meetings.
- Company Purpose and culture, talent development and people strategy are discussed at Board meetings.
- The Severn Trent Plc Remuneration Committee reviews workforce policies and practices and makes recommendations to the Board.
- The Board considers QUEST survey results and steps taken to address feedback.

Stakeholder engagement is central to the formulation and execution of our strategy and is critical to achieving long-term sustainable success. The needs of our different stakeholders, as well as the consequences of any decision in the long term, are well considered by the Board. The Board also ensures the Company's Purpose and Values are embedded and integrated to provide a strong foundation on which to successfully deliver our strategy.

It is not always possible to provide positive outcomes for all stakeholders and the Board sometimes has to make decisions based on the competing priorities of stakeholders. Our stakeholder engagement processes enable our Board to understand what matters, consider all the relevant factors and select the course of action that best leads to the high standards of business conduct and long-term success of our company.



Examples of how the Board oversees the delivery of our strategy:

- Considering the funding strategy for Green Recovery schemes.
- Delivering the outcomes and social purpose of our five-year business plan that our customers want including reviewing the performance of Capital and Commercial Services on delivering against our ODIs.
- Focusing on our climate change and sustainability, including value creation from zero waste, Green Recovery and our sustainability agenda.
- Considering updates in respect of river quality and the leading role the Company could play in driving the river quality agenda.
- Sharing our longer-term ambitions that go far beyond our business plan for 2020-2025 including our 30-year drought plan, our long-term leakage reduction targets and oversight of the improvements delivered against our Pollution Incident Reduction Plan.
- Participating in a number of strategic deep dives including our new Strategic Direction Statement, addressing water poverty and progressing our social purpose. More information on the nine deep dives can be found on page 99 of the [ARA](#).
- Fostering the engagement of employees to deliver our plans.
- Focusing on our wider stakeholder commitments including diversity and inclusion, with Board sessions on employee voice, gender pay and modern slavery.
- Focusing on supporting our local communities through our social tariffs, social dividend, and other charitable contributions.
- Monitoring and assessing the culture through regular meetings with the Executive Committee and management.
- Early involvement in PR24 planning.

We believe our Purpose makes all the difference. A highly engaged and motivated workforce is key to delivering the great performance we need for our AMP7 ambitions. Our social purpose has galvanised our employees and our QUEST employee engagement score increased from 8.1 to 8.3 this year, with all of our key engagement drivers being above benchmark scores. Our workforce lives and breathes our social purpose. This also extends beyond and includes our supply chain, who are part of the Severn Trent community. We continue to work closely with them to ensure our culture and Values are aligned. Through our Sustainable Supply Chain Charter we encourage all suppliers to sign up to the same commitments as ourselves; for example, becoming an accredited real Living Wage employer and sharing our zero tolerance to modern slavery.

Our Value, 'showing care', is central to how we keep our people and communities safe in all that we do. It's how we start every shift and every meeting and our Goal Zero policy clearly sets out our target that no one should be injured or made unwell by what we do. We experienced no major safety incidents and no fatalities in the last 12 months, with a 20% improvement in Lost Time Incidents ('LTIs') this year.

We strive to do the right thing for all of our stakeholders. Our Purpose has shaped our decision making and that's why this year has been really focused on creating societal value through our social and environmental commitments beyond our AMP7 business plan. In January 2021 we welcomed the first of our 'Kickstarters' as part of our ambitious plans to support 500 unemployed 16 to 24 year olds into employment with paid work experience and skills development. We continue to recruit from regional social mobility cold spots, including through our graduate and apprenticeship schemes. COVID-19 has had a global impact and we are acutely aware that some of our customers and supply chain will be experiencing affordability pressures at the moment. This year we helped over 150,000 customers with their bills, through a range of measures. So far we have awarded £1.5 million to 93 projects through our Community Fund. This year we also launched our £1 million COVID-19 Emergency Fund and have donated to 339 local charities to help them deal with the effects of the pandemic. We also donated almost £1 million as part of our water saving charity challenge. During the year we accelerated payments to our supply chain, helping small and medium-sized enterprises in our region to help with crucial cashflow throughout the COVID-19 pandemic.

In terms of performance, everyone in the Company plays a key part in delivering our business plan. Our Purpose and Values are translated and embedded into company objectives through each management level.

These are focused on improving performance for the customers and communities we serve, in line with our overall strategic objectives. This is also reflected in our employee bonus scheme, where 51% of measures are non-financial, customer-focused targets. Despite this being a year like no other, as a result of the COVID-19 pandemic, we have continued to focus on delivering for our customers, and some of our fantastic achievements are explained later in this report from page 47.

Our region's economy has been one of the hardest hit by COVID-19 and, as a responsible business in our region, we proposed an ambitious package of investments aimed at delivering long-term, sustainable benefits for current and future generations in our region, through improving the environment and also creating jobs.

Our customers helped us to shape and develop the proposals and we have been delighted and encouraged by their positive engagement and feedback.

On 17 May 2021, Ofwat proposed to award us £565 million (2017/18 prices) to invest in our ambitious Green Recovery programme, providing a great opportunity to deliver long-term growth for the Company alongside new investment to support our ESG ambitions. We are delighted with this outcome and have already started work on the new investments, aimed at achieving the below goals:



Make rivers safe for swimming

We're going to encourage wild swimming by trialling the creation of two bathing rivers in stretches of the River Leam and the River Teme. In transforming them so that they're healthy enough to swim in, we will also reinvigorate the pathway to how rivers in the UK can achieve 'good ecological status'. These investments will create more leisure opportunities, improving wellbeing, and bringing in a whole series of environmental initiatives that will benefit wildlife as well as local communities.



Be leaders on removing lead

Customer-owned supply pipes are a hidden financial and health liability for many people – over 40% of households don't have the savings to fix a burst, and up to half of all pipes could contain lead, which the World Health Organisation states is unsafe at any level in drinking water. Instead of tackling the lead by adding more chemicals, we're going to fix the problem at the source. In an ambitious pilot, we'll work with local plumbers across Coventry to replace 25,000 pipes. We'll also trial new approaches to 1,000 homes in Shropshire to reveal insight on how to tackle this national problem, withdraw chemical use, and reduce the estimated 25% of leaks that come from these customer-owned pipes.



Help customers save water

We're rolling out a large-scale trial of over 150,000 smart water meters. These will help customers use water more efficiently, while also helping us reduce leakage by enough to supply a town the size of Market Harborough. This will help reduce the need for future investment in water resources that the Government has forecast is needed across the entire country.



Provide more water for more customers

We want to make sure that we're ready for the future by increasing water supplies by enough to serve a city the size of Derby. And we'll do it by using low carbon technology too, revealing new insights we can share with other companies to support the water sector's aim to be net zero by 2030.



Protect homes from flooding

A new 'nature-based' approach, in Mansfield, is another way in which we're going to reduce flooding. Working closely with local councils to install natural surface flood defences such as green embankments, ponds and grassed areas. We're aiming to protect around 90,000 customers, reduce the broader harm that flooding brings to local communities and give local people a more pleasant natural environment to enjoy.



Accelerating environmental improvements

We'll support environmental improvement to 500 km of rivers, through accelerated delivery of our Water Framework Directive statutory obligations and improvements to storm overflows – delivering benefits five years earlier than we would have done without this opportunity to contribute to the Green Recovery.

On top of the long-term benefits for customers and the environment, these investments will directly create around 2,500 jobs in the Midlands at a time when employment, and getting people back into work, is vital for our region. And we'll be recruiting and training local people, using the brilliant facilities at our new Academy, to improve skills across our region.

Risk and Compliance Statement

Having taken into consideration the information contained within the chapters titled 'Our approach to Board leadership, transparency and governance' and 'Our approach to regulatory reporting', the Board approves the Annual Performance Report ('APR'), the associated APR data tables and the noted departures. The Board confirms that:

- We have a full understanding of, and we meet all of our relevant statutory, licence and regulatory obligations in all material respects except where indicated on page 34.
- We have taken appropriate steps to understand and meet customer expectations.
- We have sufficient processes and internal systems of control to fully meet our obligations.
- We have appropriate systems and processes in place to identify, manage, mitigate and review our risks.
- We meet the Ofwat objectives on Board leadership, transparency and governance and ensure that we explain clearly how we meet those objectives.
- We have reviewed our governance to ensure we conduct the regulated company as if it were a public limited company separate from any other business.
- COVID-19 impacts have been considered when making our declaration.

Signed for and on behalf of the Board.



Liv Garfield
Chief Executive
Severn Trent Water Limited
and Severn Trent Plc



Christine Hodgson
Chair
Severn Trent Water Limited
and Severn Trent Plc



John Coghlan
Chair
Severn Trent Plc Audit Committee

7 July 2021



Departures from the Statement

There are three departures proposed for inclusion in this year's Risk and Compliance Statement relating to areas where we will be re-stating data previously submitted. In all cases, the impact materiality has been assessed as low with reference to financial or wider customer impact. However, in accordance with our internal procedures we have chosen to include these to ensure the highest levels of transparency. All departures regardless of materiality are reviewed and scrutinised by our Disclosure Committee before it is endorsed by our Board prior to publication - ensuring that all levels of the business are made aware of any significant risks or issues.

Description of Duty/Obligation	Purpose of Duty/Obligations	Disclosure	Customer Impact	Action Taken
Non-financial Cost Assessment Tables (RAG 4.09): 3E.5 & 3I.1: Risk of sewer flooding in a storm	Additional regulatory information which forms part of the Annual Performance Report	During our preparation for the APR21 assurance for this obligation, we identified that, while the risk modelling was undertaken in accordance with the required methodology, some catchment risks had not been included in the data input used to calculate the reportable number. As a result we have identified the need to restate the shadow reporting of this obligation for 2019 and 2020.	This is a reputational only ODI and as such there is no impact on the ODI reward/penalty position. There is no increased risk of flooding to customers as the risk was correctly modelled in accordance with the requirements. The issue solely relates to the collation of/ calculation of the reported risk.	The reporting on this commitment will be restated with commentary to support. Economic modelling and financial modelling will not be impacted. The associated PDT has been updated to ensure additional checks are in place which ensure modelled risk is correctly collated and included in the reported risk.
Non Financial - Cost Assessment Tables (RAG4.09) Table 8A Lines 2 and 3 Bioresources Market Monitoring Information and Market Information	Additional regulatory information which forms part of the Annual Performance Report	Re-stating lines for APR20 due to missing logger data Table 8A Lines Line 2 Total sewage sludge produced, treated by 3rd party sludge service provider Line 3 Total sewage sludge produced. Market Monitoring Information lines D1, D2, E1 and E3. Market Information WwTW columns B1 and B3 & small WwTW column B1.	This data is provided to inform potential market entrants of sludge treatment opportunities. The quantities of sludge involved are not material.	This is being resolved as part of this year's APR assurance round. Further data checks have been introduced to the process for preparing the submission.
Volumetric data relating to bulk supplies between HD & STW covering 2020/21 and 2021/22 (estimated data) as reported in the bulk submission register data tables 1a & 1b	Regulatory information which form part of the bulk submission data.	Upon receipt of more accurate logger data we undertook a reconciliation of data for bulk supplies submitted through the APR and bulk supply register, we have identified improvements relating to the data reported in 2020/21 and 2021/2022 relating to bulk supplies between HD and STW.	There is no impact on the invoices raised in respect of the bulk supplies as per the APR.	We propose to re-state data in table 1a and 1b covering 2020/21 and 2021/22 (estimated data) following the receipt of accurate metering and logger data.

Statement from non-financial assurer - Jacobs

2020-21 Assurance Statement

Jacobs

Independent Technical Assurance Statement – SVE

To the Severn Trent Water Limited Board

Jacobs has been appointed by Severn Trent Water (SVE) to provide independent technical assurance of the data that feeds into their regulatory submissions. For the Annual Performance Report 2021 (APR21) submission we were asked to review the 2020-21 Severn Trent Water Performance Commitments (Part 3) and non-financial data (within Parts 4-9) on a risk-based approach.

Through a series of meetings and information exchanges, we have reviewed and tested the methodologies and processes on which the relevant statements in the APR21 are based, and we have considered the material accuracy of the performance data presented. Our findings have been discussed with management and the ST Plc Audit Committee.

We have also undertaken additional independent assurance related to the performance commitment PR19SVE_A02 (Reducing residential gap sites) and can confirm that the processes to identify and bill newly built properties are rigorous and correctly implemented.

On the basis of our audit work, we are satisfied that the information we reviewed which supports, and is included within, the APR21 has been assembled using appropriate methodologies and processes and that the data provides a reliable representation of Company performance. There is also good evidence of engagement from the teams involved in producing the performance data and of governance and programme management. We note that the Board has included issues we noted during our review in the declared departures from compliance in its statement.

Yours sincerely



Alexandra Martin
Director of Operations

Accuracy and Completeness of Data and Information Statement

As a provider of one of life's essentials we understand that we must assure customers, regulators and wider stakeholders that we are doing the right things in the right way. We want customers to have confidence in what they get from us – be that the quality of water they drink from their taps, or the information we publish. The data in our publications provide transparent insight into our performance and critical information to direct and drive future improvements across the sector. With that in mind, the assurance process we apply to the information and data we publish is vital to ensure that it can be trusted by all.

We have an established, rigorous and robust assurance and performance reporting framework to support the Board when approving the publication of data and information contained within regulatory documents. The assurance approach builds on best practice from external organisations. It ensures that managers, senior leaders and Directors are responsible and accountable for delivering high quality data through robust processes and methodology.

Board assurance approach

Robust Assurance

We operate an established and robust three lines of assurance model, which is explained in greater detail in our APR assurance approach from page 181, our **Risks, Strengths and Weaknesses statement** and our **ARA**. Using a risk-based approach we provide an effective programme of assurance which ensures we can continually reassess our assurance activity as risk changes or new emerging risks occur. Data and information are approved by data owners, senior leaders and Directors. Following which, the Severn Trent Plc Audit Committee apply scrutiny and challenge ahead of publication.

Effective Governance

Severn Trent Water is the principal operating subsidiary of the FTSE100 company Severn Trent Plc, which means we operate at the highest standards expected of a publicly listed company. The Board is supported by the Severn Trent Plc Governance Framework, which comprises the Board, Executive Committee and their respective Committees. In line with the 2018 UK Corporate Governance Code (the '2018 Code'), the Board delegates certain roles and responsibilities to its various Committees. The Committees assist the Board by fulfilling their roles and responsibilities and by: focusing on their specific activities; reporting to the Board on decisions and actions taken; and making any necessary recommendations to the Board in line with their respective Terms of Reference. The Governance Framework is also subject to periodic review to ensure that it remains appropriate. The Governance Framework is explained in greater detail on page 95 of the ARA and page 22 of the APR.

Specific examples where the Board utilised individual Directors and Committees in carrying out its activities are listed below but more information is provided on page 97-101 of the [ARA](#).

Severn Trent Plc Nominations Committee	Oversaw the externally conducted Board Effectiveness evaluation, including the selection process, which resulted in Ffion Hague of Independent Board Evaluation (IBE) being commissioned to facilitate the review.
Severn Trent Plc Audit Committee	<p>Reviewed the proposed audit plan for the 2020/21 statutory audit, including the key audit risks and level of materiality applied by Deloitte, audit reports from Deloitte on the financial statements and the areas of particular focus for the 2020/21 audit.</p> <p>Reviewed the integrity of the regulatory reporting process relating to the Annual Performance Reports, and other regulatory submissions.</p> <p>Reviewed the 2020/21 Annual Report and Accounts and provided a recommendation to the Board that, as a whole, they complied with the 2018 Code principle to be 'fair, balanced and understandable and provide the information necessary for stakeholders to assess the Company's position, performance, business model and strategy'.</p> <p>Reviewed the effectiveness of the Enterprise Risk Management processes and procedures and internal control systems, prior to making a recommendation to the Board. The Committee also reviewed the Risk Appetite Statement prior to making a recommendation to the Board.</p>
Severn Trent Plc Treasury Committee	<p>Consideration of the AMP7 funding strategy, in relation to the funding position and priorities for the new regulatory period, latest discussions with credit rating agencies and management of exposure to financial risks including COVID-19, energy prices and interest rate transition.</p> <p>Deliberation of funding options for the Green Recovery submission.</p>
Severn Trent Plc Corporate Sustainability Committee	Oversaw the approach of environmental standards, particularly those that relate to the activities where Severn Trent has its most significant environmental impacts in respect of energy management and climate change, water quality, resource productivity (including leakage and waste), biodiversity and land use.

Our Board engages and challenges the assurance approach taken

In line with the start of AMP7, we have embedded a refreshed assurance map which provides the Audit Committee with an overview of the assurance undertaken across the Company in order to discharge its duties. It has remapped business departments and assurance activities in line with our AMP7 commitments and provides detail of the structure and types of assurance applied including Internal Audit and external assurance providers, aggregated licence to operate and Enterprise Risk Management ('ERM') risks recorded, outputs of the effectiveness of assurance undertaken, and the findings of the assurance undertaken. The Board received a tailored presentation of the AMP7 assurance map in May 2021 and the Audit Committee are updated every six months.

For all regulatory publications we have a detailed regulatory forward plan and proof-point process that provides assurance to the Board and Audit Committee that an appropriate level of assurance activity has been undertaken, and findings discussed with the Board.

Throughout this activity, we ensure that high standards of governance, in line with our regulatory framework, as well as market practice for audit committees, are maintained. A 12-month forward view of the regulatory forward plan and proof-point process is provided at every Audit Committee meeting. The Audit Committee ensure that regular updates are provided to the Board under their Terms of Reference. Ongoing updates such as progress on our Pollution Incident Reduction Plan, are provided at Board level through Director reports.

New submissions and Board requirements, or amendments to the assurance process, are reviewed, discussed, and approved in advance of submissions. As an example, this year we submitted our first Gate 1 submissions to RAPID for the Strategic Resource Options (SRO), supported by Board assurance statements. The submissions were owned at an individual Director level, with the Executive Committee, Audit Committee and Board all being engaged throughout the process. This enabled them to test and challenge the progress, including risks, mitigations, the assurance approach and the Board statements themselves, including the proof point process.



The Board takes action to ensure exceptions and weaknesses in the assurance approaches have been addressed and is satisfied that the approaches have appropriately identified and addressed any risks to the provision of accurate and complete data and information in particular areas.

Our AMP7 assurance map was externally assured by Ernst & Young in October 2020. They concluded that the approach was 'comprehensive and robust'. We are confident the assurance map supports the identification of potential weaknesses using a holistic view of assurance activities and RAG status, and all areas at a minimum of satisfactory / yellow rating are targeted for improvement.

Our annual **Risks, Strengths and Weaknesses Statement** is a key regulatory publication that considers a range of factors to determine and shape our assurance plan and ensure that weaknesses in assurance approaches are improved. Customer and stakeholder engagement, internal assessments including Licence to Operate, ERM and emerging risks and trends across the sector help to determine where we need to focus the assurance we apply to our regulatory reporting. We also make sure that regulator feedback is incorporated, and we welcome feedback from stakeholders following publication on our website. We explain in detail our assurance and governance frameworks and link outputs of the assessments to the planned assurance activities and approach for the financial year ahead. The assurance plan is grouped into two areas, core assurance activities and focus assurance activities, which are updated and reflect current risk and/or areas of importance in reporting.

Considerations of the Board

The Board considers that the Company has applied the governance and assurance frameworks described both in this APR, the ARA, and the Risks, Strengths and Weaknesses Statement. Following reasonable and relevant enquiries, it is believed the processes and internal controls have been applied in a manner which has enabled it to satisfy itself, to the extent that it is able to do so from the information available, that the data and information provided to Ofwat in the reporting year, and information published in our role as a water and waste water undertaker is accurate and complete, except where indicated on page 34.

Signed for and on behalf of the Board.



Liv Garfield
Chief Executive
Severn Trent Water Limited
and Severn Trent Plc



Christine Hodgson
Chair
Severn Trent Water Limited
and Severn Trent Plc



John Coghlan
Chair
Severn Trent Plc
Audit Committee